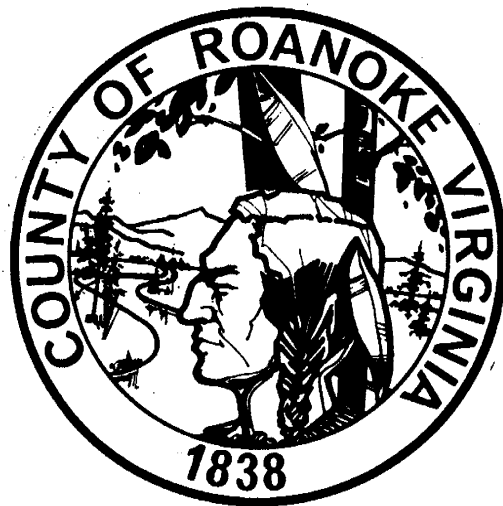


Understanding the Budget



Understanding the Budget

How to Use the Annual Fiscal Plan

The purpose of the Annual Fiscal Plan for the County of Roanoke, Virginia is to provide useful, concise information about the County's financial plans and operations to residents, elected officials, management and other interested parties. The Fiscal Plan is prepared in a narrative fashion and presents the operations of the County in a program rather than a line-item format.

This budget document has been organized to make it easy for all users to find information. The following section, "*Organizational Policies, Plans and Analyses*" provides a review of the factors that influence budgeting decisions in the County. Comparative graphs and spreadsheets located in the "*Financial Summaries*" section show prior vs. current year budget data. Following "*Financial Summaries*", each section in the remainder of this budget document represents a County fund that requires yearly budget appropriations by the Board of Supervisors. There is a summary business plan outlining major goals and objectives for each County department included in the appropriate sections. A chart at the end of each business plan shows a three-year tract of actual, current year budget, and adopted budget for the upcoming year. The number of regular full-time positions is also shown.

Fund Structure

The budget of Roanoke County is organized by fund; each fund is considered to be a separate accounting and reporting entity. (See the Fund Chart in this section of the Annual Fiscal Plan). The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, where appropriate. The following is a discussion of the fund types used by the County.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the County are financed. Listed here are the County's governmental fund types.

General Fund - The general operating fund reflects all County revenues and expenditures that are not required to be accounted for in another fund. Revenues are primarily derived from general property taxes, other local taxes, licenses, permits and fees. Other major sources of revenue include reimbursement to the County for expenditures shared by the Commonwealth of Virginia. Major expenditures include the costs of general County government and transfers to other funds, principally to fund the operation of the County's public school system and County debt service.

The General Fund is comprised of several sub-funds, which are combined for purposes of financial statement reporting. These sub-funds include: General Government, Comprehensive Services, County Garage, Internal Services, Recreation Fee Class, the Law Library, E-911 and Grants. The General Government sub-fund is divided into functional areas that are consistent with those prescribed by the Commonwealth of

Virginia's Auditor of Public Accounts for comparative cost reporting by all local governments within the Commonwealth. These functional areas are as follows:

- General Administration
- Constitutional Officers
- Judicial Administration
- Management Services
- Public Safety
- Community Services and Development
- Human Services
- Other (Non-departmental and Transfers)

Component Unit - A Component Unit is a legally separate entity that meets any one of the following criteria:

1. The primary government appoints the voting majority of the board of the Component Unit and
 - a. is able to impose its will on the component unit and/or
 - b. is in a relationship of financial benefit or burden with the Component Unit.
2. The Component Unit is fiscally dependent upon the primary government; or
3. The financial statements would be misleading if data from the Component Unit were not included.

Roanoke County accounts for the revenues and expenditures related to the operations of the public school system as a Component Unit. These funds include the following:

<u>School Funds</u>	
Operating	Textbook
Cafeteria	Capital
Grants	Bus

The primary sources of revenue in the School Operating Fund, exclusive of transfers from the General Fund, are basic school aid payments from the Commonwealth, state sales tax and educational program grants. Major expenditure categories are as follows:

<u>School Expenditure Categories</u>	
Classroom Instruction	Central Support
Personnel Services	Support Services
Other Programs	

The Cafeteria Fund captures the revenues and expenditures for the School Cafeteria Program. This is fully funded from lunch fees and reimbursement from the state and federal governments. The Grants Fund is completely funded by federal and state grants, except for a transfer from the School Operating Fund for the Title VI-B Program. The Textbook Fund accounts for the purchase, sale and/or rental of textbooks. This fund is highly subsidized by the School Operating Fund through an interfund transfer.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by

proprietary funds). Monies are included in each department's operating budget for smaller projects such as furniture, fixtures, machinery and equipment.

Internal Service Fund - This fund is used to account for the financing of services provided by one department to other departments of the government, on a cost reimbursement basis. Risk Management and the Medical Insurance Fund are the County's only internal service funds.

Debt Service Fund - This fund is used to account for the revenues required during the budget period to pay interest on outstanding long-term debt and to repay any maturing issues or installments. This fund is not used for debt serviced by Enterprise Funds, which manage their own debt service activities.

Proprietary Fund Types

Proprietary Funds are used to account for the County's on-going organizations and activities that are similar to those found in the private sector. The Enterprise Funds for water and sewer operations are the County's only proprietary funds.

Enterprise Funds - This type of fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. These funds include the Water Fund and the Sewer Fund.

Federal and state grants are accepted by the County and accounted for based upon each grant's respective fiscal period. If a grant wholly or partially funds payroll costs or requires a local match, the budget includes expenditures and revenues that pertain to these aspects of the grant in the affected department or fund. These grants and contracts are approved by the Board at the time of receipt of the grant. These grants are not included in the Annual Fiscal Plan.

Basis of Budgeting

Budgets for all funds are adopted on a basis consistent with Generally Accepted Accounting Principles applicable to governmental units. Governmental Funds are accounted for using the modified accrual basis of accounting with revenues being recorded when the funds are received and expenditures recorded when the goods or services are received and the liabilities incurred. Proprietary Funds are accounted for using the accrual basis of accounting with revenues being recorded when the funds are earned and become measurable, and expenditures recorded when the liabilities are incurred. The basis of budgeting and the basis of accounting are consistent for all funds. Budgeted amounts reflected in the financial statements are as originally adopted or as amended by the County Administrator or the Board of Supervisors.

The County Administrator may authorize or delegate the authorization of the transfer of any unencumbered balance or portion thereof from one department to another within a fund. Otherwise, the Board of Supervisors must approve amendments that alter the total appropriation of any fund. In addition, any amendment which exceeds one percent of the total revenue shown in the currently adopted budget or the sum of \$500,000, whichever is less, may not be accomplished without first advertising and conducting a public

hearing. Appropriations for the General Fund lapse at year-end. Appropriations for the Capital Projects Fund are continued until completion of applicable projects even when projects extend for more than one fiscal year.

During the fiscal year, as department directors make purchases for goods and services, their budgets are monitored at a summary level. Each departmental budget is separated into three expenditure categories: personnel, operating, and capital. Edits have been placed in the general ledger system to prevent department directors from spending more than is budgeted, in total, for these expenditure categories.

Other Documents Related to the Annual Fiscal Plan

In addition to the Annual Fiscal Plan, the County prepares several other documents that relate to County operations and finances. These include:

- **Capital Improvement Program (CIP)**. The CIP details those capital improvement or construction projects needed by County departments and schools over the next five years. In addition, the CIP prescribes a funding method for those projects. Financial resources used to meet those priority projects funded each fiscal year are accounted for through the Capital Projects Fund. See the Capital Projects Fund section of the Annual Fiscal Plan for more detailed information about the CIP, its contents and its incorporation into the budget process. Roanoke County Schools develop and publish their own capital improvement program that is adopted by the School Board and approved by the Board of Supervisors.
- **Roanoke County Public Schools Budget**. This document details the School Board operations and funding requests. The School Board budget must be submitted to the County administration no later than April 1 of each year. The Board of Supervisors must adopt the school budget by May 1. For a synopsis of the School Board budget as adopted, see the Component Unit (School Funds) section of this document.
- **Comprehensive Annual Financial Report (CAFR)**. This document is the final report on the examination of the County's financial statements at June 30 of each year. This report is reviewed by an independent auditing firm in accordance with Generally Accepted Auditing Standards.

Budget Process

Since October 1992, the Office of Management and Budget, along with the department directors and constitutional officers, has utilized a team approach to budget development decisions. Five budget teams are identified to review departmental budget requests and potential new revenue sources. The teams also prioritize any items that could not be funded within the original target allocations for each department. The five budget teams are: Internal Support and Operations, Public Safety, Community Services, Judicial/State Funded Agencies, and Human Services.

FY 2005 Budget Calendar

In October 2003, budget staff and the County Administrator conducted a series of Budget Kick-Off Meetings; at which department directors received budget preparation information. This information included an explanation of the budget process, the budget

calendar, instructions on building and submitting departmental budgets, and a three-year history of departmental expenditures.

Departmental target allocations based upon preliminary revenue estimates also were distributed at the Budget Kick-Off meetings. A department's base budget request cannot exceed the target amount. Any programs that were currently funded that could not be financed within the target allocation and any new programs that the director wanted to be considered for funding were submitted as prioritized budgetary "addbacks." If any funds then became available for distribution during the remainder of the budgetary process, whether from targeted requests that were eliminated, revised revenue estimates, new revenue sources, or Unappropriated General Fund Balance, the departments' addbacks were considered by the County Administrator for inclusion in the proposed budget. The department directors' budget requests were comprised of a line-item expenditure detail supplemented by written justification.

Departmental budgets were developed after the submission of business plans. These plans were created to focus projected expenditures on the mission and goals of the departments. Management and Budget staff compiled business plans, preliminary department budget requests, addback requests, and supporting documentation. This information was then presented to the County Administrator during the month of February.

On April 27, 2004 the County Administrator presented the proposed balanced budget to the Board of Supervisors. The budget document provided for Board review the proposed resource allocation by fund, by department within each fund, by section within each department, and by expenditure category within each section. There are three types of expenditure categories for this purpose: personnel, operating, and capital. Supplementary data was also provided including specific personnel requests, vehicle requests, and all capital requests, funded and unfunded within the proposed balanced budget. A separate summary of budget addback requests, by department and by budget team, was provided.

During February, March and April budget work sessions were conducted with the Board of Supervisors and the School Board, and public hearings were held to obtain taxpayer comments regarding resource allocations and tax rates. Advertisements were published in the local newspaper and copies of the proposed budget were placed in local libraries to allow Roanoke County residents to become familiar with the proposed budget before the public hearing.

The Code of Virginia requires adoption of a balanced budget by June 30 of each year. The fiscal year begins on July 1. Tax rates for the calendar year are adopted on or before April 15. The fiscal year budget appropriation is adopted by ordinance after a first and second reading by the Board of Supervisors. The Board formally adopted the FY 2005 budget appropriation ordinance on June 8, 2004.

The Roanoke County budget process continues to improve and evolve into a streamlined and informative system. The Department of Management and Budget continues to help departments develop more quantifiable budget objectives by using measurable output indicators and workload statistics.

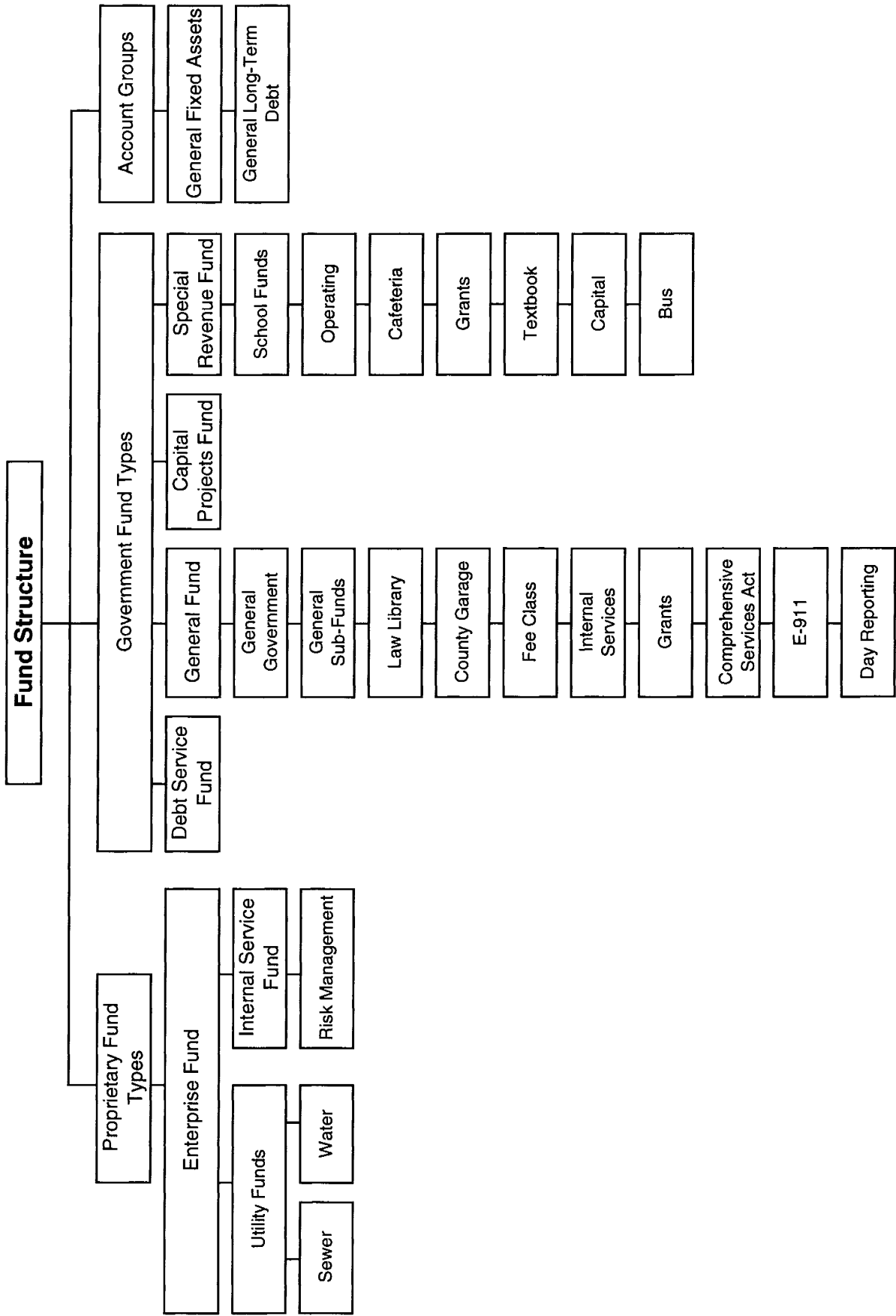
A calendar of events for budget development activities for FY 2005 is included in this section of the document.

Amending the Annual Fiscal Plan

In accordance with state code, Roanoke County may amend its budget to adjust the aggregate amount approved as part of the original Appropriation Ordinance. Any amendment (increasing or decreasing appropriations) must be approved by the Board of Supervisors during the normal course of conducting County business. However, any such amendment which exceeds one percent of the total expenditures as shown in the adopted budget or the sum of \$500,000, whichever is lesser, must be accomplished by publishing a notice of a meeting and a public hearing once in a newspaper having general circulation in that locality at least seven days prior to the meeting date. The notice shall state the governing body's intent to amend the budget and include a brief synopsis of the amendment. The amendment may be adopted at the advertised meeting, after first providing a public hearing during such meeting on the proposed budget amendment.

Glossary of Terms

A glossary of terms used throughout the Annual Fiscal Plan can be found in the Appendices. Please see the Table of Contents or the Index to locate other items in this document.



FY 2004-2005 Budget Calendar

August

- Begin Capital Improvement Program process

September

- CIP project funding requests due to MB by September 12, 2003
- Departmental Annual Reports due to MB by September 26, 2003

October

- CIP Review Committee meets to prioritize projects and make recommendations
- Begin Business Planning departmental review
- Request reappropriation of unencumbered operating balances
- Completed County Departmental Annual Report available late October 2003

November

- Revised Business Plans due to MB by November 21, 2003

December

- Prepare preliminary revenue estimates
- Personnel Verification Reports distributed to Departments

January

- Revenue team meets to discuss preliminary revenue projections.
- Begin Investment Budgeting Process
- Mid-Year Revenue and Expenditure Reports completed
- CIP work session with Board of Supervisors
- Personnel Verification Reports due to MB by January 23, 2004
- Investment budget requests due to MB January 30, 2004

February

- Public Hearing: General Comment on FY2003-2004 budget
- Public Hearing: Tax rates and tax assessments

March

- Board adopts tax rates
- Budget presentations to the County Administrator
- Work Session: Joint County BOS/School Board
- Work Session: Contributions to local human, cultural, and tourism agencies

April

- Board adopts School budget
- County Administrator presents budget to the Board of Supervisors
- Public Hearing: Proposed budget

May

- First reading of appropriation ordinance

June

- Board adopts FY2004-05 Budget and CIP
- Second reading of appropriation ordinance

